

2003 State Small Business Profile: CALIFORNIA

In 2002-2003, gross domestic product continued to rise nationwide, while growth in employment remained slow to recover. Small businesses continued to be a source of economic strength nationally and in California. Research from the Office of Advocacy shows that half of U.S. private non-farm output and employment stem from small firms with 500 or fewer employees. Women and minority entrepreneurs are also significant participants in the state's economy. Advocacy uses a variety of data bases to document the contributions of small, minority-, and women-owned businesses in California.

Number of Businesses. The number of employer businesses in 2002 increased by 3.7 percent and numbered 1,022,192. The number of self-employed individuals decreased an estimated 0.7 percent in 2002. In the state, 99.1 percent of the businesses were small (with fewer than 500 employees based on 2000 firm size data) (Source: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics).

Women-Owned Businesses. In 2002, self-employed women totaled 595,445, or 40.3 percent of self-employed workers in the state (Source: U.S. Dept. of Labor, Bureau of Labor Statistics). Women-owned businesses totaled 700,500, of which 14.7 percent had employees. They generated \$121.2 billion in revenues in 1997 (Source: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau).

Minority-Owned Businesses. Minority-owned businesses represented 28.8 percent of the state's businesses and generated \$182.9 billion in revenues in 1997. Of these minority-owned businesses, 20.6 percent had employees (Source: U.S. Dept. of Commerce, Census Bureau).

Business Turnover. Between 2001 and 2002, new employer firms increased 1.5 percent to 130,840. Business bankruptcies decreased by 1.9 percent, and totaled 5,141 in 2002. Business terminations increased by 4.7 percent, and totaled 156,858 in 2002 (Source: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau).

Employment. In 2000, businesses with fewer than 500 workers employed 53.0 percent of the state's 12,884,692 non-farm sector employees (see Table 1). The industry with the most small business employees was manufacturing. Between 1999 and 2000, small businesses added a net total of 428,607 employees; they represented 80 percent of net non-farm employment change in the state (see Table 2) (U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses).

Small Business Income. Non-farm proprietors' income—a partial measure of small business income—increased by 4.9 percent in 2002 and amounted to \$120.1 billion (Source: U.S. Dept. of Commerce).

Finance. Small businesses traditionally depend on local bank services and use commercial bank lenders. The number of banks in the state has decreased. The largest concentration of banks by asset size was in the \$100 million to \$500 million category. A list of small-business-friendly banks in the state has been published by the Office of Advocacy in its banking studies and is available on the website at www.sba.gov/advo/stats/lending. (See Table 3 for the number of banks by asset size.) Small businesses seeking loans should also consider lenders that participate in the SBA's preferred or certified loan programs; for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722.

To obtain more information about the Office of Advocacy's data, research reports, and analyses of small business, go to: www.sba.gov/advo/stats or call (202) 205-6530. Special thanks to Ryan Miller, Advocacy intern, for his work drafting this report along with Victoria Williams.

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Note: Data on women- and minority-owned firms are not comparable between 1992 and 1997, so growth rates are not available.

Table 1. Firms and Employment in California by Industry and Firm Size (Thousands), 2000

Industry	Non-employer Firms	Employer Firms		Employment	
		Total	<500	Total	<500
Total	2,103.2	664.6	658.9	12,884.7	6,835.0
Agriculture, forestry, fishing, and hunting	13.2	2.2	2.2	24.4	21.4
Mining	3.8	0.7	0.7	19.7	8.3
Utilities	1.1	0.6	0.5	51.3	5.2
Construction	161.3	67.2	67.0	755.2	656.3
Manufacturing	40.8	46.1	44.7	1,753.7	965.4
Wholesale trade	52.1	51.2	49.9	808.2	550.4
Retail trade	200.2	73.5	72.8	1,491.5	665.2
Transportation and warehousing	73.9	14.6	14.2	419.0	171.7
Information	45.0	15.3	14.9	527.1	179.2
Finance and insurance	82.2	24.3	23.7	621.1	199.1
Real estate; rental and leasing	218.7	32.3	32.0	277.7	195.2
Professional, scientific, and technical services	401.5	88.5	87.7	1,061.2	616.2
Management of companies and enterprises	N/A	3.1	2.0	292.2	35.6
Admin., support, waste mgnt., and remed. services	146.2	35.3	34.6	1,161.4	444.7
Educational services	36.7	8.0	7.8	262.4	139.7
Health care and social assistance	180.1	70.2	69.8	1,321.2	657.9
Arts, entertainment, and recreation	126.2	14.1	14.0	247.4	147.9
Accommodation and food services	27.9	48.8	48.4	1,111.3	696.2
Other services	292.2	62.1	61.8	555.1	450.3
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.9	0.4	102.0	7.5
Unclassified	N/A	14.2	14.2	21.6	21.6

Source: U.S. Department of Commerce, Census Bureau.

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size, (Thousands) 1999–2000

	Total	Firm Size	
		1–19	1–499
Gains:			
New establishments	829.0	242.5	472.3
Expanding establishments	1,594.8	438.7	989.1
Losses:			
Downsized establishments	(1,157.5)	(228.0)	(613.4)
Closed establishments	(731.7)	(202.3)	(419.5)
Net change in employment	534.6	250.9	428.6

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2000.

Table 3. Number of Banks in California by Asset Size, 1998–2002

					Number of Banks by Asset Size, 2002				
1998	1999	2000	2001	2002	Below \$100M	\$100M–\$500M	\$500M–\$1B	\$1B–\$10B	Over \$10B
336	334	315	300	288	90	125	32	36	5

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's website at www.sba.gov/advo/stats/lending/.